

Having a real conversation about retirement

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The Employee Benefit Research Institute (EBRI) conducts an annual Retirement Confidence Survey¹ that is both authoritative and a bit bracing, a must read if you are concerned about the topic. Here are just three of the many summary findings:

- American's confidence in their ability to retire comfortably is stagnant at historically low levels. Just 14% are very confident they will have enough money to live comfortably in retirement (statistically equivalent to the low of 13% measured in 2011 and 2009).
- Many workers report they have virtually no savings and investments. In total, 60 percent of workers report that the total value of their household's savings and investments, excluding the value of their primary home and any defined benefit plans, is less than \$25,000.
- More than half of workers (56 percent) report they and/or their spouses have not tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement.

Curious trends

As an aside, this last point is interesting in light of the fact that according to Google,² the number one search people have conducted over the last 12 months in relation to the word "retirement" is for "**retirement calculator.**" So clearly someone is trying to figure this out.

To these three points let's add two more: the growing trend for people over 65 to stay in the labor force (adding to their retirement security but increasing the competition with people just entering the labor force) and the high reliance on Social Security. The Pew Research Center recently published a report called *The Rising Age Gap in Economic Well-Being*³ that points out the following:

For older Americans, one key change over the past quarter century has been an increase in the share who are employed. The share of adults ages 65 and older who are employed reached an historic low of 10% in 1985 but has since risen to 16% in 2010. Meantime, older adults continue to have the advantage of inflation-indexed Social Security as the anchor of their annual income streams. Today, as in 1984, on average Social Security accounts for **55% of the annual income** of households headed by adults ages 65 and older.

What to do?

Depending on your client base, you may have a couple of reactions. One is that your clients simply don't care about any of

these points. They have managed their savings well and have built a portfolio that will generate income sufficient to meet their essential, lifestyle, and estate needs . . . perhaps with the aid of your advice and financial savvy!

Another possible reaction is to feel reminded that we all know people that have an unrealistic view of the retirement they can afford given their current savings rate, financial assets, and point of view about risks and returns. It is **this group that we think is most in need** of what we like to think of as a "real conversation," the kind where you and your client find a way to put the charts and figures aside for a few minutes and talk about what your client is really thinking and feeling about what lies ahead.

Those conversations can be difficult to have, and even harder to start. Towards that, here are a couple of suggestions.

Make a point to obviously ask for permission. Sneaking up on "real conversations" doesn't really work. Better to signal clearly and give your client room to say "yes" or "no." For example, you might say something like . . .

I have been thinking a lot about my clients' retirement income needs. Before we start looking at your account, would it be alright if we just had a conversation about how you are thinking about retirement?

You don't need to love those words but follow the general pattern:

1. Personalize why you are asking (something about you).
2. Signal the topic.
3. Explicitly ask permission to proceed.

Building trust

Once you begin the conversation, keep in mind that the first three things the client tells you (I am making that number up to make my point) won't be what's really on his or her mind, or perhaps more accurately, keeping them awake at night. It's just human nature that we protect our real hopes and fears. So we dole out information that is roughly right (or maybe completely misleading). It takes good listening, patience, and empathy to help the client remember that you're there to help.

The simplest and best thing you can do is to STAY WITH THE SUBJECT. Don't take the conversation in a new direction. Instead, gently and empathetically follow the answers you hear with "say more about that," or even something as simple as "really?" or "which means?" And then **listen, write down what you hear, and probe that same topic again** (do this at least three times) until you feel like you have found what your client is really thinking.

Once you get there, you will have two precious things: information you need, and a few more bales in the trust barn. Both are necessary if you are going to have a real conversation with your client about adjusting either their savings or expectations in preparation for a more secure retirement.

¹Employee Benefit Research Institute (EBRI) <http://www.ebri.org/surveys/rcs/2012/>

²Top Google "retirement" Searches <http://www.google.com/insights/search/#q=retirement&geo=US&date=today%2012-m&cmpt=q>

Top Google "retirement" Searches

1. Retirement calculator
2. Retirement age
3. Social security
4. Social security retirement
5. Retirement communities

³Pew Research Center report <http://www.pewsocialtrends.org/2011/11/07/the-rising-age-gap-in-economic-well-being/?src=prc-headline>

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